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unadapted application of the Congressional Methodology to Pell Grant determination, Mr. Fischer's basic points are valid and worthy of support. As we move forward to Reauthorization of the Higher Education Act, his paper can serve as an impetus for simplification of the aid delivery system for students, their families, institutions and the federal government. ♦

Barriers to Implementation of General Need Analysis for All Federal Financial Aid Programs

by Jerry Sheehan
Davis

It is likely that the vast majority of readers of Mr. Fischer's description of the need for, and benefits of, a single need analysis system for all federal student financial aid programs will agree that one system would be much better than two. The arguments for having one system are compelling enough to raise questions about why there are two systems in the first place.

Mr. Fischer's description of the reasons for establishing the Pell Grant system and developing the Congressional Methodology, what he calls "general need analysis," is a good, but only partial, explanation for having two systems for the federal programs. More important reasons for two need analysis systems in the federal programs, *and multiple systems* for assessing need in state, private and institutional aid programs, come from the very nature of what these systems purport to measure and how their measurements are used.

Financial need itself is a real phenomenon existing in the empirical universe. Students have real and different financial resources to spend on postsecondary education and experience real and different costs. But the need for financial assistance from public and non-public aid programs, *as it is assessed by need analysis systems*, is a theoretical construct. That is to say, assessments of ability to pay costs are based on economic theory and assessments of student costs are frequently estimates or often represent amounts programs are willing to consider and defray with their resources. The methods used to assess assistance need, and the results of these calculations, may or may not correspond to the reality of what a given student needs to "reasonably afford" postsecondary education or represent tangible differences in different students' needs.

Because financial need as "demonstrated" by the results of need analysis is a theoretical construct (and probably a political construct, since many elements of need analysis are changed for political reasons), a much smaller proportion of Mr. Fischer's readers will enthusiastically agree that "general need analysis," or *any* single need analysis system, is "best" for all federal programs. For example, some readers may argue that, because government subsidies to loan programs cost less per dollar in aid awarded than do grant programs, a *third* system for assessing "financial need" for loans should be used in the Stafford Loan Program.

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Mr. Fischer's advocacy of using "general need analysis" for all programs is based, in part, on the widely held belief that "general need analysis is considered to yield the more accurate calculation of 'true need' by most interested parties in Congress and in the higher education community." This belief that the products of general need analysis *should be considered to represent* the aid applicants' financial needs is the greatest strength and utility of the Congressional Methodology and the system from which it was derived, the Uniform Methodology. When there is an agreed-upon measure of some object or phenomenon, one can sensibly communicate with others about it. So general need analysis is useful in student financial aid administration, just as uniform yardsticks are useful in carpentry.

But single need analysis systems are not used for all federal aid programs, or for other programs. For example, 19 states use only the Congressional Methodology (CM) for all their grant programs, but four use the CM for one program and a modified version for others. Five others use a modified CM, two use the CM and the Uniform Methodology (UM), and three use the Pell Grant system. Others use various combinations of systems for their programs, the Pell Grant system for one, the CM for another, or a modified CM. Five states, New York, Ohio, Oklahoma, Pennsylvania, and South Carolina, have their own state-specific systems for determining financial need (NASSGP, 1990).

Although many states use the CM for their programs, enough use other systems to meet their own particular needs to indicate that agreement to use a single "general need analysis" system is far from universal. Even when states use general need analysis, many modify the system (or its products) to meet special needs, as do users of the Congressional Methodology at postsecondary institutions.

The College Board and National Association of Student Financial Aid Administrators' 1989 "Survey of Undergraduate Financial Aid Policies, Practices, and Procedures" found that 8 percent of the institutions made "professional judgment" adjustments to the results of the Congressional Methodology. Professional judgment modifications resulted in decreased student or parental contributions about 25 percent of the time and in increased contributions about 8 percent of the time. The most frequently-cited basis for making professional judgment adjustments were tax returns submitted by applicants and receipt of additional information about their family or financial circumstances (The College Board and NASFAA, 1990).

It is likely that the "professional judgments" used by financial aid administrators resulted in more realistic assessments of their applicants' ability to pay for postsecondary education and, therefore, can be considered appropriate. But that adjustments were made to one out of every twelve applications diminishes the primary value of having a single need analysis system, i.e., that it produces the same results for all applicants wherever they apply for aid. If one aid administrator uses "professional judgment" to adjust an applicant's contribution and another does not, then the assessment of financial need may be quite different.

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The use of the Congressional Methodology instead of the Uniform Methodology for federal financial aid programs has likely resulted in more uniform assessment of students' need for federal assistance. The 1983 Survey of Undergraduate Need Analysis Policies, Practices, and Procedures revealed that about 17 percent of all student aid recipients had their need calculations adjusted by financial aid administrators, over twice the rate of adjustments to the Congressional Methodology in 1989. Of those recipients whose calculations were adjusted, 29 percent experienced a decrease in expected parental contributions but 10 percent had their contributions increased by under \$100, 47 percent had theirs increased by \$100 to \$500, and 14 percent saw their parental contributions increased by over \$500 (Van Dusen and Higginbotham, 1984). These data suggest that writing "general need analysis" into law has resulted in fewer modifications to the results of need analysis for federal programs on campuses, a desirable outcome when assessment consistency is valued.

Why are there multiple need analysis systems, and why are the results of "general need analysis" modified or altered? The answers to these questions provide insight into difficulties many are likely to have in accepting Mr. Fischer's proposal to use "general need analysis" for all federal programs. In the first place, because financial need as assessed by need analysis systems is a theoretical construct whose economic foundations sometimes fail to conform to aid program administrators' perceptions of reality, modifications to any "general need analysis" seem justified. An example of the Congressional Methodology's assessment of dependent undergraduates' ability to pay provides a good illustration of the conflict between a product of the system and aid administrators' perceptions of reality. A system that produces greater expected *student* than expected *parental* contributions for over 80 percent of the dependent aid applicants with family incomes below \$30,000 lacks a considerable amount of face validity to many aid administrators (Davis, 1989).

If there were a system of "general need analysis" in which aid administrators, public policymakers, aid applicants, and the general public had much greater confidence than in the present one, the reluctance to modify it would be much greater.

Another reason why the use of "general need analysis" is not universal is that need analysis systems are used for three overlapping but interrelated purposes. The National Task Force on Student Aid Problems (known as the Keppel Commission) identified these purposes as: the determination of ability to pay for education, determination of program eligibility and determination of financial need (National Task Force on Student Aid Problems, 1975).

The Task Force believed that there could be consensus on distinguishing in the aid application process between determining ability to pay and determining appropriate budgets to be used in evaluating student costs. It was successful in reaching a considerable degree of consensus on determination of the ability to pay, as evidenced by the creation of the Uniform Methodology. It was not successful in deter-

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mining "appropriate budgets," as evidenced by the plethora of "standard" or "maximum" allowances for student costs in the many public and private student aid programs.

It is suspected that the primary reason there are multiple need analysis systems and modifications to "general need analysis," is that it is easier for student aid administrators. They have the options to adopt a new system or modify an existing one, to ration and allocate limited aid funds among applicants. This is easier than achieving program goals by other, more direct means. It is likely easier to use need analysis to ration and allocate limited funds to students than it is to admit to aid applicants (and sometimes to those who support or fund aid programs) that there is greater demand for aid than the supply of funds can meet.

A good illustration of this practice is found in changes in determination of program eligibility and financial need in the Stafford Loan Program. As more students borrowed from this program in the early 1980s and program costs shot upward, loan applicants whose adjusted gross income exceeded \$30,000 had to go through a need analysis system to establish their "need" for their loans. Later in the decade, as program costs continued to grow (along with annual deficits in the federal budget), all Stafford Loan applicants were required to demonstrate "need" for loan funds. It is unlikely that potential loan applicants' *real* need for loans diminished during a decade of rising costs. The demand simply grew faster than the supply of funds the government wanted to spend on loans, so "need analysis" was applied to restrict program eligibility and amounts borrowed. Rather than telling loan applicants that the Stafford Loan Program had become too costly to the federal government, they were told that their financial circumstances showed they did not "need" loans.

But aid applicants, not easily fooled, know what they reasonably can afford to spend on education. Their assessments of their needs are quite real, and much less theoretical than those of aid programs. However, aid applicants are easily confused about how and why need analysis systems' assessments do not correspond to their own. When people are confused about a subject, their first reaction is to withdraw from it. If they have to deal with the subject, as aid applicants do to get assistance, their next reaction is to attack it. This confusion about "need analysis" among aid applicants, and the general public, about how and why need is assessed and aid awarded is a very important reason why it is frequently so difficult to obtain public support for student aid programs.

Programs use and modify need analysis systems, not only to determine program eligibility and ration and allocate scarce resources among applicants, but also to "target" resources toward certain applicant groups. Need analysis systems make some students more "needy" than others. Again, it is considered easier to modify need analysis systems to achieve re-allocation goals than it is to tell applicants (and, in the case of publicly-funded aid programs, the

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taxpayers) that the program's goal is to make more aid available to some kinds of students than to others.

Postsecondary institutions' lobbying efforts affect changes in need analysis systems. Institutions demand that systems be changed to provide greater amounts of assistance to their students. Or they may demand that systems remain unchanged, when they suspect that changes will somehow reduce their students' aid. Neither position relates to matters of differences in real student needs but it is considered easier to modify need analysis systems to allocate resources among different student groups than to change program parameters to reallocate aid funds. If Mr. Fischer's proposal for one need analysis system for all federal programs is to be adopted, it will have to be demonstrated that "general need analysis" will not substantially change the proportions of Pell Grant dollars distributed among the students attending different institutional types.

Multiple need analysis systems exist because it is easier to change a program's need analysis system than to directly confront opposition to the effects of those changes.

Perhaps the best first step in achieving a single "general need analysis" system is to accept Mr. Fischer's proposal to use the Congressional Methodology for all federal programs, resulting in a single system being used to ration and allocate the majority of aid dollars among students. The next step should be to modify the Congressional Methodology, or substitute a new one if modification proves impossible, so that the resulting system becomes the best possible one for validly assessing aid applicants' real ability to pay for education costs.

Developing a better single need analysis system will require research as well as consensus-building among members of the higher education community and policymaking bodies. If more recent data on the actual consumption and saving behavior of families and students were available, and less reliance were placed on adjusting data from 1967 Bureau of Labor Statistics bulletins, as is now done in the Congressional Methodology, better assessments of the amounts of discretionary income available for education would be achieved.

If assessments of discretionary income were closer to reality, then better decisions about the "taxation rates" applied to this income to pay for education could be made. These rates will always, of necessity, be arbitrary. But arbitrary taxation rates could, and should, reflect empirical evidence on what students and families in various financial circumstances actually spend on education, rather than policymakers' value judgments and the demands of political pressure groups.

If more were known about what students and families *actually* can afford to spend on education, then better assessments of the need for financial aid and the effects of cuts or supplements to aid programs on student enrollment behavior could be made. It is quite possible that, because not enough is known about what students and

families can really afford to pay for education, much of the money spent on student financial aid programs has little effect on student enrollment behavior, but merely makes it somewhat easier for aid recipients to do what they would have or could have done without the aid. And affecting student enrollment behavior, not meeting students' needs or distributing funds in certain ways, should be the primary objective of student aid programs.

Mr. Fischer's proposal for a single need analysis system for the federal programs represents a good start toward getting policymakers to take the first step in achieving more *consistent* assessments of financial need for applicants. But subsequent steps on the journey toward achieving a "general need analysis" system which produces more *realistic* assessments of financial need and is used in unmodified form by all aid programs must be taken by many parties. Perhaps this issue of the *Journal of Student Financial Aid* will mark the beginning of the journey. ♦

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A Political Perspective on Need Analysis

by Thomas R. Wolanin

The central thrust of Mr. Fischer's analysis is right on target. There is no reason in logic or policy for there to be two need analysis systems for determining expected family contribution and cost of attendance for the Title IV programs.

A single need analysis is important for all of the reasons outlined in the paper: restoring public confidence in need analysis, reducing administrative burden on schools, reducing award error, and improving the equity of student aid awards. In addition, however, a single need analysis is important because the complexity that is in significant part a product of two need analyses has become a barrier to achieving the central goal of the programs.

The purpose of the student financial aid programs is to broaden educational opportunity by reducing or eliminating financial barriers to postsecondary education. The complex need analyses that measure the size of the financial barriers have themselves become a new barrier to educational opportunity, especially for those with the

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